

# Moonsnail soapworks – marketing campaign flashcard



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Moonsnail Soapworks is a small Canadian company that hand-makes soaps, skincare, healing, bath and body oils, and other beauty products. The key decision that Moonsnail Soapworks faces is how to successfully market a new product while expanding current product markets. Moonsnail Soapworks faces the following problems: First, how to price, distribute and promote Moon Baby Cream. Second, to analyze whether the decision to move to the Charlottetown store had been a good one. Finally, to prepare a plan to improve performance/profitability at the One of a Kind Craft Shows.

Qualitative and quantitative analysis conclude that the recommendations are to continue to attend both Toronto One of a Kind Craft Shows, and to hire family members who previously worked for Ridgeway to fill in for the regional craft shows when time conflicts arise. The relocation in Charlottetown is a good decision and selling via this location must continue. However, it is not financially beneficial to continue selling through wholesalers and specialty stores. Finally, an action plan and recommendations are provided for this marketing study of Moonsnail Soapworks.

### Problem Definition

The problem Jennifer Ridgeway faces is whether or not it is financially viable to produce Moon Baby Cream. With the introduction of this new product, Ridgeway needs to make appropriate decisions as to the Moon Baby Cream's pricing, distribution and promotion; thus, she will need a marketing plan. Additionally, she wants to improve performance and profitability at the Toronto One of a Kind Craft Shows in order to increase retail sales. However, if Ridgeway decides to participate in the Toronto craft show, she will not be

able to attend various other small Christmas craft shows due to overlapping schedules.

## Alternatives

Introduce Moon Baby Cream and...

1. Attend the Christmas One of a Kind Craft Show
2. Attend both the Christmas and Spring One of a Kind Craft Show
3. Attend other small regional craft shows
4. Distribute through wholesalers and specialty stores
5. Continue selling through Charlottetown Store

Do not introduce Baby Moon Cream, but chose from above alternatives 1- 5.

## Qualitative Analysis

The key decision Moonsnail Soapworks faces is how to successfully market Moon Baby Cream, while expanding their current product markets, as noted by their mission statement.

Marketing superior quality products in this warfare niche competitive industry is fundamental to build and secure a strong reputation. A strong reputation is essential, as it allows companies to further differentiate itself from its rivals. This is achieved by creating value in the eyes of customers, which will then allow the company to charge a premium price for their products. The natural health and body care industry is fragmented and

highly labour intensive. Thus, in order to offset high production costs associated with this industry, improvements in production processes, superior service and extensive campaigns to market these high quality products is crucial in achieving higher market share.

Moonsnail Soapworks position themselves as a company that produces the highest quality products, using pure essential oils from reputable sources that do not contain dyes or preservatives. They also differentiate themselves by helping save the environment through conservation and through recycling. For example, they reward consumers who send jars back to Moonsnail so that they can reuse the containers. Moonsnail positions their company as environmentally conscious and through this ideal they try to change the way their customers think so that they will be more inclined to buy their products. Moreover, Moonsnail Soapworks strategically align themselves with other companies that care about the environment.

Moonsnail segments their consumers by age and geographic area. Jennifer Ridway targets middle-aged women (40-60 years) and young women (20-30 years). Both segments enjoy disposable income, and are environmentally and health conscious. Geographically the segments are local Canadian customers and tourists mainly from the United States. Both groups of women prefer high quality and natural ingredients, while tourists enjoy the gift and novelty attributes of Moonsnail's products. Ridway currently serves their customers via craft shows, the Internet, mail ordering and various specialty stores.

Ridgeway has translated consumer's attitudes and behavior into strategic initiatives to cater specifically to women. The consumer behaviour between middle age women and young women is somewhat different. The former are fairly wealthy, look for high quality products, while the latter have less disposable income, and look for products for with natural ingredients and health benefits. If Ridway chooses to introduce Moon Baby Cream, she must target middle-aged women who will most likely buy these products as a gift for their younger daughters, friends, and family members, as well as target young women who are not price sensitive towards their baby's needs. Finally, tourists will be targeted as they may purchase this product for a novelty gift. New parents with limited disposable income will not be able to afford Baby Moon Cream; thus, Moonsnail must not target this market.

In general the natural health and body care industry is volatile. For example, sales are affected by tourism and gas price fluctuations. Moonsnail's compulsive and luxurious product line experience demand fluctuations in concordance with seasonal peaks and downturns. For example, during Christmas and holidays sales are high, while tourism during the months of June through August contributes to an increase in sales as well. Finally there is a direct relation between disposable income and the demand for Moonsnail's products.

Barriers to entry in this industry are low. Competitors consist of small fragmented companies selling hand-made bath products to their local markets, health food markets, high priced specialty stores, as well as larger retailers. Larger retailers must not be overlooked as they are starting to carry all-natural products offered at lower prices. Additionally, there has <https://assignbuster.com/moonsnail-soapworks-marketing-campaign-flashcard/>

been a dramatic increase of products that are positioned as natural and are now available in a variety of distribution channels. This is a major threat for a small, regional company, like Moonsnail Soapworks. Finally, the natural personal care market is classified as a hyper-growth area that is expanding at a rate of somewhere between 15-25%, depending on the source of the estimate. Consumer trends point towards attitudes concerning health and wellness, and concern for the environment, which attribute to switching from chemical body care to all natural ingredients.

This is a strategic opportunity for Moonsnail Soapworks (please exhibit 1 for SWOT analysis).

Finally, Moonsnail Soapworks, whether it likes it or not is competing with mainstream competitors; however, promoting ingredient quality, functionality, and the prestige status among other characteristics will counterbalance the comparatively higher prices Moonsnail must offer in order to reach the customers they truly want. Moreover, research indicates that consumers are willing to pay more for products that are made in an environmentally friendly and sustainable manner.

Discussion of Alternatives (accompanied by qualitative and quantitative analysis)

1. Attend the Christmas One of a Kind Craft Show: In the past, this craft show grossed 40% of total retail sales. Revenues on Christmas (1998) net \$10,000, which entails that this craft show is highly lucrative. Expansion of customer base and increased market share, the main goals stated by

Moonsnail's mission statement supports this alternative

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2. Attend both the Spring and Christmas One of a Kind Craft Show: Past financials show that Moonsnail Soapworks lost \$500 (1999) at the Spring One of a Kind Craft show. Analysis indicates that spring is not a good season for promoting Moonsnail's products, since people are still paying off credit debts from Christmas spending. Financially, attending the Christmas craft show offsets losses from attending the spring show; however, the spring show does not support any financial gain. The question that must be answered: Is a \$500 dollar loss in sales detrimental to the overall long-term profitability of the company? Increased presence can be a successful long-term marketing tool, even though short-term losses can be incurred.

3. Attend other small regional craft shows: Attending these small regional craft shows, though not highly lucrative, can help Moonsnail maintain, secure and grow their domestic market share in the Maritime Provinces. Not attending these crafts shows can allow competitors to move in and take away their loyal customer base that took years for Moonsnail to build. Local tourism profit can also be reached via these shows. Currently, Jennifer Ridway faces the problem that if she attends the Christmas One of a Kind Craft show, she cannot attend these smaller regional craft shows, because of conflict of schedules. The question is, however... does Jennifer need to be present at both, or can she delegate a family member, who use to work for Moonsnail to fill in so that both shows can be attended?

4. Distribute through wholesalers and specialty stores. This alternative is debatable. Jennifer Ridgway will have to reduce Moon Baby Cream's price to \$6.00 per jar and allow the wholesaler or specialty store to add a markup price that Ridway will not be able to influence. Ridway is also worried about <https://assignbuster.com/moonsnail-soapworks-marketing-campaign-flashcard/>

the shelf life of the product, and is concerned that these stores would fail to take the product off the shelf and swallow their losses, and continue to sell the spoiled product. On the other hand, Ridway wants to increase sales, and her rationale is that if she lowers the price by 20% she will increase volume sales by 15%. What must be understood, however, is that if she lowers the price, it will take more sales to break-even. (See exhibit 5). This may not be profitable. This decision to distribute through wholesales and specialty stores will depend on associated costs and profits, the wholesale's location, and whether there is a possibility that she will get direct consumers after because of the label and web site information attached to the product. Therefore, selling to wholesalers and specialty stores might be considered as a way of promoting and reaching customers that otherwise would not be accessible, but there are many cons associated with this alternative as well.

5. Selling through Charlottetown Store The relocation to Charlottetown was a good decision since she covered all the relocation expenses, which includes the increase in salaries, rent, gas, and still made a profit of \$488. (See exhibit 4). This store was also a wise choice as it is located in a prime tourist location, while still accessible by all other regional customers. Moreover, the city is planning to build a pedestrian mall, which will hopefully attract more foot traffic of potential customers to the area. Regarding the price of Baby Moon Cream to increase sales, Ridway can manipulate the price to increase sales volume. However, a 15% increase in volume by lowering the price by 20%, is not enough to compensate profit compared with keeping the original price at \$9.95. (See exhibit 5)

#### Quantitative Analysis

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Quantitative analysis shows that it is feasible to attend both Toronto Shows, while still attending the regional craft shows with the help of hiring previously employed family members during schedule conflicts. However, selling through wholesalers and specialty stores is not a financially wise choice, seeing as how sales have been decreasing. Finally the large sales growth rates as a result of relocating to the Charlottetown store prove that the move was beneficial (See exhibit 4).

The breakeven analysis (See exhibit 2 & 3) using \$9.95, the maximum price Ridgway believes customers are willing to pay for, the break-even volume is 143 jars or \$1425.38. Ridgway expects to sell 1000 jars of Moon Baby Cream during the accounting year, and it is clear by calculations that \$9.95 is an accurate price to charge, generating a sales revenue of \$9,950.00. If the sales price is decreased by 20% (\$7.96) and volume increased by 1,150 jars, Moonsnail Soapworks would still lose \$796.00. Therefore, it is clear that she should not lower the retail price of Moon Baby Cream. Moreover, Ridgway must sell at least 143 jars of cream in order to cover variable and fixed costs to breakeven.

The increase in profitability as a result of attending the Toronto Craft Shows, small regional craft shows, while continuing to operate from the Charlottetown store is depicted in Exhibit 7. It is feasible to hire previous family members to fill in for Jennifer Ridgway at the small regional craft shows, while she attends the Toronto Craft Shows. This will ensure that she maintains a competitive position in Moonsnail's regional market while expanding her market abroad. Additionally, while Moonsnail is losing money from attending the Toronto Spring shows, it does not seem to be to

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detrimental to her financial position. Increased market presence, as a result of attending these shows is a long-term investment that should pay off in the future.

In our projected income statement, given the ratio analysis results (See exhibit 6 for ratio analysis), a more conservative 3-year projected income statement is given (See exhibit 7). Still net profit is expected to increase to \$35, 604 (2000), \$48, 642 (2001), and \$66, 724 (2002) respectively. These figures are rationalized by taking a more conservative approach towards Moonsnail's original projected income statement. However, it must be stressed that measures should be taken to reduce expenses, such as those associated with current liabilities, in order to make the company more financially stable, productive and efficient. Please refer to exhibit 6 for additional information pertaining to Moonsnail Soapwork's current investment utilization, liquidity, and growth position.

### Recommendations

1. Moonsnail Soapworks must introduce Baby Moon Cream and marketing it at the Toronto One of a Kind Christmas Show as well as the Toronto Spring Show. The cost benefit analysis of losing \$500 in relation to increased marketing presence and exposure is seen as a long run benefit to Moonsnail Soapworks. Management efficiencies will also create brand loyalty, through responsiveness to customer needs. Achieving superior responsiveness to customers' needs means giving customers value for their money. Marketing at the Toronto One of a Kind Craft show must market this value. In order to find out what value is perceived with Moon Baby Cream, Moonsnail must

develop a competency in listening to a focusing on its customers and investigate and identify their needs. Moon Baby Cream must exemplify a perceived value that their baby deserves the best and needs the best product, and that lower quality products are simply not suitable for their baby. Additionally to avoid substitute chemical products, Moonsnail Soapworks must instill a perception in customer's minds that natural products are more reliable and safe

2. Complementing Moonsnail's Charlottetown store with aggressive marketing via their online virtual store automated ordering and checkout processes can significantly reduce costs from Moonsnail's retailing function. Additionally, Web-based information systems set up to automate internal company activities for managing expense reimbursements and other control functions will be needed since attending the Toronto One of a Kind Craft Shows will bring in customer's from all over Canada and the U. S. Moonsnail's strategy is currently focused mainly on domestic sales; thus a new logistical planning and delivery system will have to be implemented, in order to meet the needs of customers in various geographical areas.

3. Jennifer Ridgway must hire family members who previously worked for her to fill during time conflicts in order to attend both the regional and the Toronto craft shows. It is almost certain that the family would not mind taking a weekend off or two to help out a family member in need.

4. Focusing on current products produced by Moonsnail must not be ignored. Canadians' rising disposable incomes, falling unemployment, and population shifts resulting from aging baby boomers and growing populations of

teenage and young demographic segments signal growth in certain product lines. Importantly, baby boomers continue to drive the natural body care industry. One scholar estimates that growth will be in products including: Men's skin care; Sun care; Lip Balms/Treatments; Hand Treatments; and Hair Coloring (Trends, Don Mills, 1996)

5. Moonsnail's products emphasize high quality, natural, handmade products, so their Moon Baby Cream marketing strategy for the Toronto Craft show, Regional Craft shows and for their Charlottetown location must encompass these attributes. Moon Baby Cream must highlight its high quality attribute followed by its reliability in healing and moisturizing benefits in successfully acting as a barrier between the baby's skin and the diaper. Marketing this superior quality creates a strong reputation for Moonsnail that allows it to further differentiate itself from rivals by creating more value in the eyes of customers, and will also allow the company to charge a premium price

6. Moonsnail can also differentiate itself from competitors by emphasizing attributes of customer service associated with its product line, including ordering ease and prompt delivery through its mail order catalogue and online virtual store. The Charlottetown store location is a prime spot for tourism within Prince Edward Island, and marketing within the store is important. Marketing competence, courtesy, credibility, responsiveness, and communication within the store when customers enter and make a purchase is important in creating a loyal and repeat customer base.